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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Mary C. Jarratt, Assistant Secretary for Food and Consumer Services before the House Subcommittee on Domestic Marketing, Consumer Relations and Nutrition March 24, 1982

Mr. Chairman and members of the subcommittee:

Thank you for giving me the opportunity today to discuss the Fiscal Year 1983 budget and legislative proposals for the food stamp program administered by the Food and Nutrition Service.

As you will recall, during the 1976-1981 period, the nation's economic recovery failed to check the ever-expanding eligibility and cost base for such programs as food stamps. The food stamp program grew from costing less than $1 billion in 1970 to an estimated $11.6 billion in the current fiscal year. As an example, the food stamp caseload in 1976 increased to a peak of 18.6 million participants. But, by 1979, three years into a recovery that saw employment rise by 13 million, the food stamp caseload had declined only to 17.7 persons.

Today, nearly 22 million people participate in the food stamp program. The reason for this failure to reduce program costs was the substantial liberalization of program eligibility and benefits. Program reforms enacted in the 1981 Reconciliation Act and the additional reforms proposed by the administration this year represent an important check on excessive program expansions.

The basic thrust of the administration's proposals has been to slow the rate of program growth, to simplify program administration and to target program benefits for those most in need. Also implicit in these proposals is the basic recognition that the program has long passed its role as a food assistance program.

With this recognition, programmatic changes designed to take into consideration all sources of income available to a household when applying for benefits are justified.

The administration's proposals have largest impact on households with incomes above the poverty line. Nearly 55 percent of these households will lose eligibility. This administration will continue to protect the neediest—more than 4 million of the current recipients—

whose benefits will be essentially unchanged by these proposals. Further evidence that these proposals will not eliminate the essential core of recipients indicates that the number of food stamp beneficiaries in 1983 will still be higher than in 1979 when participation averaged more than 17 million per month.

Also, the current law permits certain types of cash income either to be excluded or partially disregarded in determining eligibility and benefit levels. These exclusions and disregards create inequities among recipients and between recipients and nonparticipants with similar incomes and resources. The budget proposes to make several changes in the food stamp program that will result in about $2.3 billion savings in Fiscal Year 1983. Certain of these changes would be effective July 1, 1982, and save about $273 million in program costs during the final quarter of Fiscal Year 1982. The new proposals include the following:

1. Increase the benefit reduction rate from 30 to 35 percent effective July 1, 1982. Currently, the benefit to which a household is entitled is reduced 30 cents for every one dollar of household income. This change will not affect families with very low incomes, but will make the benefit schedule more progressive and result in $227 million savings in 1982 and $978 million savings in 1983.
2. Eliminate the minimum benefit provision, effective July 1, 1982. This alteration will rectify the current situation in which a household technically eligible for zero benefits will receive $10 in stamps. It also removes the inequity between one or two person households and larger households—$32 million savings in 1982 and $138 million savings in 1983.
3. Repeal the earnings deduction, effective July 1, 1982. Currently, 18 percent of all earned income can be excluded from the calculation of household income. This disregard created a special class of recipients whose income supplements far exceed the take-home pay of non-welfare working households. In fact, two-thirds of wage-earning low-income families receive no food stamps benefits at all. This proposal would eliminate the inequity between different classes of working low-income households. It would result in $140 million savings in 1982 and $606 million savings in 1983.

4. Revise the rounding rules to round down the calculations of the thrifty food plan, deductions, and individual household allotments. The result: $10 million savings in 1982 and $117 million in 1983.
5. Include all energy assistance payments as income to the household when determining eligibility for food stamps, whether the payments are made directly to the household or to vendors on behalf of the household.

   This income currently goes uncounted and thus creates inequity between households that receive such assistance and those who do not. This does not create a "heat or eat" choice because the average monthly food stamp allotment would decrease by only $8 during the winter if energy assistance is included as income. It would create a $231 million savings in 1983.
6. Require job search at the time of application. Under the current system, people can participate in the food stamp program for over a month before being disqualified for non-compliance with the work registration requirement. Under our proposal, no one would get any food stamps until we knew that they would comply with the job search requirements. By beginning the job search at the point of entry into the system, the applicant immediately begins to search for employment and could conceivably locate a position before being certified for the program. This could eliminate their need for food stamps or reduce their entitlement. Further, state administration of the work requirement/job search will improve the program and save $15 million in 1983.
7. Reduce error rate to three percent. States have little financial incentive to reduce errors since they are federally funded under a 50 percent matching rate. With the administration proposal, states would begin to assume full responsibility for erroneous welfare payments that they issued. The federal government has the burden for errors in federally-administered programs; the states should share a similar responsibility. We believe a three percent error rate is the highest possible figure that can be tolerated when the Congress and federal government are striving to set eligibility limits and other requirements so precisely that only the neediest households can receive food stamps. Moreover, we are confident that three percent is an attainable goal because of our efforts in the

past to simplify program administration, provide technical assistance, and maximize state flexibility. This would mean a $615 million savings in 1983.

8. Interaction costs. The effect of these new proposals interacts with the provisions of the 1981 Reconciliation Act and with the new proposals for Aid to Families with Dependent Children and Supplemental Security Income may increase food stamp costs by $136 million in 1982 and $530 million in 1983.
9. Institute a consolidated grant for state administration which will include, in addition to food stamp costs, the administrative expenses associated with Medicaid and AFDC.

   Each state will receive an allocation based on its share of total federal administrative cost sharing for these three programs. States will be able to allocate funds between these programs and to supplement these funds with state and local monies. The grant will be supervised by the Department of Health and Human Services at the federal level. This new grant approach will save $43.3 million in food stamp costs in 1983.
10. Turning over responsibility for work requirements and job search activities to the states. We believe that the job of finding employment for people at the local level should be handled by state and local governments. Decisions affecting these programs should not be made thousands of miles away by officials who are not familiar with local job markets or economic conditions. By eliminating federal involvement we feel that an unnecessary layer of government involvement is trimmed, resulting in an $80.3 million savings in 1983 (a reduction of $65 million from the 1982 level).
11. Total savings in the budget request are $273 million in 1982 and $2,293.6 million in 1983.

The changes represented in this budget reflect several primary objectives which we believe are necessary to the future wellbeing of the nation. First, the effectiveness of state and local governments will be enhanced by giving them greater control over services as well as control over the resources needed to pay for them.

Second, the reform of entitlement programs to correspond with basic indicators of need and cost will be advanced. Greater latitude given to states will create opportunities for the reduction of inequities,

the elimination of overlapping and excessive benefits, the retargeting of resources to those most in need, and the creation of incentives and requirements to promote more efficient program administration.

Third, the reduction of inappropriate discretionary spending will be achieved, contributing to a firmer and more judicious control over Federal expenditures. We believe that these objectives are immensely important, and it is in this positive context that the 1983 proposals should be considered.

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Statement by Secretary of Agriculture John R. Block before the Senate Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies, March 25, 1982

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you to discuss the work of the U.S. Department of Agriculture and to present our fiscal year 1983 budget proposals.

When I appeared before this committee one year ago, we discussed the terrible toll that inflation and high interest rates were exacting on American farmers. Since that time many significant changes have occurred. We have lifted the grain embargo. We have worked together, long and hard, to enact the reconciliation legislation, restrained appropriations bills and the tax reductions which lay the foundation for our economic recovery program.

Working together we have substantially reduced the rate of growth of federal spending, reduced the tax burden on our citizens and reduced the level of federal involvement in everyone's daily life. The recently passed farm legislation provides me with the tools to protect farmers against extremely low prices yet it moves us another step closer to a reduced federal role in rural America and a free market environment for the farm sector.

These changes have played a substantial part in curbing the rate of inflation. They lay the foundation for our longer term economic recovery. But we cannot ease up. Interest rates and unemployment continue at levels that are far too high. We must extend our efforts to

reduce inflation, bring down interest and unemployment rates and encourage private economic activity. The budget proposals I bring to you today are designed to continue this progress toward economic recovery which foreshadows a period of sustained economic prosperity for the nation.

Before discussing these proposals, I would like to briefly describe the current status of American agriculture.

Current Agricultural Situation

The domestic agricultural situation can best be characterized by large crop and livestock supplies and sluggish demand. Record acreage planted for 1981 crops, and excellent growing conditions, have resulted in crop production being up more than 15 percent above the 1980 levels, which were seriously effected last year by the drought damaged 1980 crop. The supplies of livestock products, including meat and dairy products, are also at record levels, but the growth has been less than in the crop sector.

Domestic demand for the abundant supplies of farm products has been sluggish because of slow growth in income, high unemployment and high interest rates. The President's economic program is expected to bring about a change in this situation during the latter part of the year, but for the time being the bearish economic situation has been hitting the crop and livestock sectors hard and this translates into weak demand for our agricultural products.

High interest rates have also tended to weaken commodity demand and prices by increasing the cost of holding stocks for processors and other users and increasing farmers' cost of production. Farmers have been under increased pressure either to hold larger stocks, put their grain under loan with the Commodity Credit Corporation, or sell at current low prices.

Not only is domestic demand weak, but growth in foreign demand for our agricultural products will be smaller than in previous years as a result of poor economic performance in the rest of the world and the generally high level of agricultural production around the world.

There are several other important factors affecting our agricultural exports. The stronger dollar means that importing countries must pay about 30 percent more for U.S. agricultural products this year than was

paid last year. The high cost of holding inventories and the political instability in Eastern Europe are also affecting export sales. The increased use of subsidies is giving some countries an unfair advantage in capturing new sales, and trade barriers make it exceedingly difficult to gain access to certain markets.

The combined effect of slow domestic and foreign demand in the face of record supplies is causing a build-up of stocks and lower prices and income for U.S. farmers. Even though stocks are large, they are not excessive in relation to worldwide consumption requirements. Nevertheless, the current bearish market psychology has unduly dampened prices.

Despite depressed prices, the cash income of farmers is likely to be a record $150 billion in 1982. However, production expenses have been rising faster than income, placing farmers in a cost-price squeeze.

It will take a period of time to work out from the current situation. On the demand side, general economic performance both here and abroad must improve. On the supply side, we have tried to design a 1982 crop program that will lead to higher prices and incomes for farmers. The acreage reduction programs for wheat, feed grains, rice and cotton, together with the higher reserve loans offered under the farmer-owned reserve program, should help to improve the situation if farmers participate in the announced programs. I can assure you that farmers who don't participate will not be eligible for any 1982 crop program benefits.

I am optimistic that we can bring improvement to the agricultural economy. The new Agriculture and Food Act of 1981 provides the necessary authorities we need to move to a prosperous market-oriented agriculture. I am using these authorities to a great extent for the 1982 crop programs. In addition, as the President's economic program takes hold and stimulates economic growth, the demand for agricultural products will increase. The slowing of inflation will also reduce the increase in farm production expenses and lead to an improvement in farm financial conditions. The medium term outlook suggests strong recovery during the second half of 1982 and early 1983.

On the foreign trade side, we are working aggressively to stimulate the long term growth in exports and deal with the numerous trade problems we face. During my recent trips to China, East Asia, Africa

and Mexico, the possibilities for expanded agricultural trade were explored. I am optimistic about the potential for increased agricultural export trade with these areas. In addition we are reviewing a number of options to encourage increased private sector initiatives in agricultural trade development.

Over the next couple of years, continued expansion of the crop insurance program will reduce the risks that farmers face as a result of natural disasters. We are also moving in our research programs to address the longer term problem of productivity growth and resource use so that U.S. agriculture continues as a reliable long term supplier of agricultural products throughout our nation and to all the world.

Farm Credit Situation

Another vitally important factor in assessing the status of the farm sector is the credit situation. Despite depressed farm income, the financial position of the farm sector is basically sound. The debt-asset ratio for the farm sector as a whole is about 17 percent, which compares favorably to other sectors of the economy. Further, the long-range outlook for agriculture looks encouraging. Increases in the value of farm assets should continue to exceed increases in farm debt, and farm income will improve.

Nonetheless, we cannot overlook the fact that many farmers are experiencing credit and cash flow problems. Farmers must be assured that adequate credit resources are available to them as they enter the spring planting season. First and foremost in meeting this challenge, we must not create panic among farmers and lenders by over exaggerating the near-term problems that do exist. Most lenders are finding ways to keep their existing borrowers in business another year. Some of the financing techniques that are being used include the rescheduling of debt payments, borrowing additional amounts on existing assets, and postponing large capital expenditures.

On January 21, I met with representatives of the Farm Credit System, the American Bankers Association and the Independent Bankers Association of America. We received their support in helping us to monitor the credit situation and to offer ways to improve commercial lenders' participation in financing Farmers Home Administration borrowers.

I also have established new guidelines to be used by FmHA field personnel in assessing loans currently held by FmHA.

We are keeping a close watch on the demand for farm loans as we approach the peak application period. The fiscal year 1982 budget provides almost $4 billion for farm loans. We plan to continue this level for the FmHA's portion of farm lending in fiscal year 1983 with increased emphasis on farm operating loans.

Fiscal Year 1983 Budget Proposals

Our budget proposal for fiscal year 1983, including the latest estimates for CCC programs, totals $28.4 billion in outlays. The total value of programs and services provided by the U.S. Department of Agriculture in fiscal year 1983 is estimated to be $52.3 billion. As you can see, the programs of the USDA will continue to make a major contribution to the viability of the agriculture community and the well being of all Americans.

We must continue our joint efforts to reduce the growth of federal spending. As such, program levels in almost every area of the U.S. Department of Agriculture are reduced from 1982 levels. However, in many cases, we can minimize the effects by better targeting and management of our program efforts. Even with these overall reductions we have provided for increases in a few high priority areas.

Research and Extension

We continue to regard agricultural research as a very high priority. Our nation's rate of growth in plant and animal productivity has leveled off in recent years. We must invest in fundamental research now in order to assure increased agricultural production in future years.

We are requesting an increase of $54 million for agricultural research in fiscal year 1983. This will allow us to either maintain or increase the major programs in the Agricultural Research Service and the Cooperative State Research Service. This provides a clear indication of the priority we place on agricultural research programs even in a very austere budget year. The ARS budget request will provide for 3 percent real growth since fiscal year 1981. ARS is in substantial need of strengthening after a long period of barely keeping even with inflation. We are also requesting an additional $3.6 million for the Hatch and

1890's research formulas in CSRS to help offset inflationary costs. A total of $22.9 million, an increase of $6.5 million, is requested for Competitive Research Grants to provide an adequate base of funding for this program. In the first four years of this program, we were able to fund less than half of the best rated research projects. Many opportunities to make major basic research breakthroughs are now being lost.

For the Extension Service, we have maintained the basic Smith-Lever formula program at the fiscal year 1982 level and are requesting an increase for the 1890's extension formula to meet the new statutory requirements of this program. A number of smaller earmarked programs are proposed for reduction or elimination. States will continue, of course, to have the option of using formula funds for these activities.

Agricultural Exports

We continue to place a very high priority on expanding our agricultural exports because of the substantial contribution exports make to the farm sector and the economy as a whole. Agricultural exports provide about one-fourth of U.S. farm income and every dollar earned from exporting is more than doubled in business activity in the general economy. Because of the vital role exports play, we are requesting an increase of $4 million, or 11 percent for the foreign market development program of the Foreign Agricultural Service. These funds will be used to provide for real growth in the foreign market development program. Funds are also requested to offset inflation in our other overseas activities. The emphasis of our foreign market development activities will be placed on country/commodity combinations that have a high market expansion potential and that will help reduce the burden on commodity price and income support programs. We are also proposing to continue the $2.5 billion export credit guarantee program and the P.L. 480 program will increase from $1.48 billion in fiscal year 1982 to $1.5 billion in fiscal year 1983.

Commodity Credit Corporation

Fiscal year 1983 outlays for the Commodity Credit Corporation will result primarily from 1982 crop programs, which will be the first carried out under the authorities of the Agriculture and Food Act of 1981. We

feel that the new Act gives us the tools to move toward a more market-oriented farm economy. Using authorities of the new Act for the 1982 crops, we recently announced acreage reduction programs, raised regular and reserve loan rates and opened the farmer- owned reserve for immediate entry. We felt that, under the current conditions of a sluggish demand and large crop and livestock supplies, the farm sector needed help.

As you know, CCC outlay estimates continue to be very tentative, because the weather and economic situation both in the U.S. and abroad throughout the coming year can change the estimates quite radically.

I would like to take this opportunity to thank the committee for its part in expeditiously restoring our line of credit by providing funds to restore prior year losses in the Commodity Credit Corporation. However, it is important to note that the longer term solution to this problem lies in a $5 billion increase in borrowing authority up to the authorized limit of $25 billion. Our request for this increased authority continues to be of the utmost importance.

Crop Insurance

We are moving aggressively to expand the all-risk crop insurance program. In crop year 1982, the program will be available to farmers in all 3,000 agricultural counties in 49 states and will insure 28 commodities. Insurance will be available to cover 100 percent of the acreage previously covered by disaster payments with the exception of only partial coverage for oats. The farmer participation rate is estimated at over 30 percent of insurable acreage. In crop year 1983, we anticipate that producer participation will expand to between 40 and 50 percent of insurable acreage.

Soil and Water Conservation

For soil and water conservation programs, we are proposing a substantial reordering of priorities and fundamental program changes. A recently completed study of the condition of the nation's soil, water, and other related resources assigns highest priority to those activities which will reduce soil erosion so as to maintain the long term productivity of agricultural lands.

To achieve these goals, conservation technical assistance and information gathering and analysis activities are slated for budget increases. Improved effectiveness is expected as a result of the increased use of "targeting" in which our soil and water conservation efforts are directed to areas with critical resource problems.

The budget includes a new $10 million program of matching soil and water conservation grants. Grant funds for technical assistance will be made available to local units of government through state soil conservation agencies. This program was authorized in the 1981 farm bill. It is a pilot program that has multiple objectives—concentrating Federal funds in those areas where problems are most critical and increasing the role and responsibility of state conservation agencies and local units of government in solving conservation problems.

Because of overall funding constraints, several programs are scheduled for cuts in spending. The fiscal year 1983 budget for watershed and flood prevention operations provides funding only for the most urgent public works construction projects. Accordingly, we do not anticipate any new construction starts. However, we do recognize that these activities constitute an important program delivery system, and it is therefore desirable to maintain a minimum capability so that construction activities can be resumed in the future without incurring the extra cost of building a new system. Further, the watershed planning staff is maintained at 1982 levels and there will be a limited number of new planning starts.

The resource conservation and development program is slated to be terminated by the end of fiscal year 1983. This action is based on reviews conducted in previous years, which failed to demonstrate that this program has made significant progress in achieving program goals.

Finally, there are also recommendations for reductions in the USDA's conservation cost share assistance programs. A recent USDA study of the agricultural conservation program is the first attempt to quantify the output of conservation practices on a wide-scale basis. The study shows areas where cost-effectiveness can be improved. For instance, only about one-half of all practices were applied on land that was eroding excessively. The evaluation provides a basis for program managers to target assistance more precisely and finance some of the most important conservation work with a reduction in funding.

Furthermore, the administration would anticipate landowners and state and local governments to increase their funding for conservation practices as the seriousness of the problem is more completely understood and as farm income improves and federal taxes are lowered.

Rural Credit

Reductions in the credit area are essential to the President's program for economic recovery. Unless we can reduce federal spending and treasury borrowing to support federal credit activities, we have little hope for continued economic recovery, increased private investment and renewed productivity in the future.

While our credit programs in Farmers Home Administration and Rural Electrification Administration will be reduced by over $4 billion, the total of all of the USDA's new lending activity will exceed $20 billion for fiscal year 1983. In addition, we will continue to service and, where necessary, reschedule repayments for over $112 billion of loans and loan guarantees we estimate will be outstanding at the beginning of fiscal year 1983. It is readily evident from these figures that the U.S. Department of Agriculture will continue as a significant supplier of credit in rural America.

Despite the sharp reductions in most federal credit programs, we are proposing that FmHA's farm operating program be increased by $135 million for fiscal year 1983. With this increase, the program will reach a level of $1.5 billion which is almost double the level achieved in fiscal year 1981. In total, FmHA's farm loan programs are budgeted at $3.9 billion in fiscal year 1983, which is essentially the same as fiscal year 1982.

As I noted earlier, we recognize that many FmHA and other farm borrowers are currently experiencing serious credit problems, largely related to the decline in net farm income. However, we feel that these problems are near term in nature and will be resolved as the economy recovers and prices strengthen.

Mr. Chairman, I can assure you that our first priority is to keep farmers in business and that our credit policies for fiscal years 1982 and 1983 will allow us to achieve that objective.

We are proposing that FmHA's rural housing programs be reduced from $4.2 billion in fiscal year 1982 to approximately $1.4 billion in

fiscal year 1983. The reduction is significant. But FmHA will minimize the impact by ensuring that most needy households are the primary beneficiaries of the programs. This reduction is part of the administration's overall effort to curb federal intrusion into the credit markets, and help relieve the pressure on interest rates, which has effectively closed the housing markets to an unacceptably high portion of rural as well as urban residents.

A modest reduction is being proposed in the water and waste disposal loan program, from $375 million in fiscal year 1982 to $300 million in fiscal year 1983. The community facility loan program will remain at the fiscal year 1982 level of $130 million. The business and industrial and alcohol fuel loan programs are proposed for termination. We believe that private investment, not public sector pump-priming, should and will increase development in these areas.

FmHA's role in providing loans for water and waste disposal systems and community facilities will be to assist communities in which such projects are essential to the health and safety of the households and only in those small, rural communities in which FmHA will function as the lender of last resort.

The Rural Electrification Administration's electric and telephone loan programs are slated for reductions from $6.5 billion currently available for fiscal year 1982 to $4.6 billion for fiscal year 1983. The budget includes a proposal to reduce the fiscal year 1982 loan guarantee authority of the electric program by $1 billion and a further reduction of loans and loan guarantees for the electric and telephone programs of $900 million in fiscal year 1983. We believe that increasing proportions of the capital needs of REA borrowers can be obtained from non-federal sources. Most of the rural telephone borrowers, approximately 70 percent, are eligible for tax benefits as are many of the largest electric borrowers. Further, this reduction will also contribute to the administration's effort to curb federal intervention into the credit markets.

Domestic Feeding Programs

The food stamp program will have a net reduction of $1.7 billion, from $11.2 billion in fiscal year 1982 to $9.5 billion in fiscal year 1983. This $11.2 billion level for fiscal year 1982 assumes congressional

approval of our $1 billion supplemental request to help assure that we can continue the program through this fiscal year without a beefit reduction. The reduction of $1.7 billion in fiscal year 1983 results from full conversion to the separate nutrition grant program for Puerto Rico, legislative proposals to redefine the factors used to measure income to determine benefit level and further administrative management improvements.

One key proposal is to restore the integrity of and simplify the definition of income in the food stamp program. Income, from whatever source, should be treated equally for all households receiving benefits. For that reason we have proposed to end the current exclusion of energy assistance as household income, as well as to continue the actions of congress last year in reducing the earned income deduction, by eliminating it altogether.

Another proposal which will yield significan savings is to increase the current benefit reduction rate from 30 percent to 35 percent. This proposal will be felt least by the households with the least income and not at all by households with no net income. In fact, the increase in the value of the thrifty food plan, scheduled for October 1, will help offset decreases resulting form the change in the benefit reduction rate.

Mr. Chairman, we are aware of this committee's continuing concern over the food stamp error rate and we are moving aggressively to solve this very expensive problem. In fact, we believe that in fiscal year 1983 it will be possible for the states to achieve a nationwide error rate of 3 percent, and for that reason we have provided no funding for overpayments or ineligible issuances above that level. Please note that 1983 will be the third year of this administration's efforts to enforce error rate sanctions and incentives which, along with improvements in state administration and technical assistance from the USDA, should make a 3 percent error rate an achievable goal.

The child nutrition programs will operate at a $2.8 billion level in fiscal years 1982 and 1983. Increased food costs will basically be offset by savings achieved by eliminating the summer food program that was significantly reduced in fiscal years 1981 and 1982; and replacing the school breakfast and child care programs with a general nutrition assistance grant to the states. This gives the states greater flexibility in setting their own priorities and determining the form of administrative

and program management best suited for their state. The special milk program will be discontinued; however, over $600 million worth of milk will continue to be served in the school lunch program.

We are proposing to transfer the women, infants and children program, the commodity supplemental food program and the food component of the nutrition program for the elderly to the Department of Health and Human Services in fiscal year 1983. This represents a sorting out of the federal administrative role in these programs. WIC and CSFP serve a similar target population and have similar goals as the HHS program for maternal and child health. The elderly feeding program will be consolidated with other programs under the Older Americans Act serving the same target populations.

Marketing and Inspection Activities

During the Administration's budget review process, we thoroughly reassessed our pest and disease control, marketing and inspection activities and identified a number of programs which are no longer economically justified. Other programs we have determined can better be carried out by state governments or the farmers themselves.

In the Animal and Plant Health Inspection Service, for example, we have found it is no longer practical to continue a brucellosis eradication effort and we plan to shift instead to a control program which will save $31 million in fiscal year 1983. The $91 million cost of currently operating the program far exceeds the annual economic losses from the disease. We will continue to work with the states and the farmers to minimize the infection rate, which is currently less than 1/2 of 1 percent.

In those instances where economic damage does not warrant the cost, where infestations are local, or where control technology is not yet practical, the federal role is being reduced. We are, therefore, reducing federal involvement in such pest control programs as witchweed, gypsy moth, pink bollworm, boll weevil and golden nematode.

In the Agricultural Marketing Service, we plan to begin charging for mailed market news reports so that reports will only be ordered when they adequately serve the needs of farmers.

In the Food Safety and Inspection Service we plan to improve the efficiency of our meat and poultry inspection activities and use our

personnel more effectively. Legislation is being requested that would give us more discretion in performing inspection services at processing plants without sacrificing present standards of product wholesomeness. First year savings of $2 million will result from this change. By fiscal year 1987, we expect yearly savings to increase to nearly $20 million.

Mr. Chairman, this concludes my formal statement. I appreciate the opportunity to present the U.S. Department of Agriculture's fiscal year 1983 proposals to the Committee and look forward to working with you.

I will be happy to address any specific concerns that you have.

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News Conference

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Following are edited exerpts from a news conference with Secretary of Agriculture John R. Block held at USDA Wednesday, March 24.

SECRETARY BLOCK: I am proud to appoint Peter Myers, an outstanding agriculturalist, to be administrator of the Soil Conservation Service. He is from Missouri; he is a farmer; he has graduated from the University of Wisconsin; and he has distinguished himself as an outstanding young farmer in 1967.

The appointment fulfills a pledge made by President Reagan when he said, "I will place farmers and those who understand farming in policy positions in the U.S. Department of Agriculture so it can be a help, not a hindrance, to America's farmers."

Also, effective immediately, USDA's Federal Crop Insurance Corporation will be transferred from the responsibility of the Under Secretary of International Affairs and Commodity Programs to the under secretary that serves rural development and handles the Farmers Home Administration and the rest of our programs in that particular area. I feel this change fits more handily alongside FmHA and Rural Electrification activities and will allow the Under Secretary for International Affairs to concentrate on international affairs and the sale of our crops overseas.

At this time, I would like to open the floor for any questions.

QUESTION: Mr. Myer's appointment is opposed both by the senior senator of his state and the chairman of the Senate subcommittee on soil conservation. Why did you decide to go ahead with this appointment in light of this opposition?

ANSWER: I make this appointment because I sincerely feel it is the right thing to do. A policymaker in charge of the Soil Conservation Service should be a farmer who knows and understands farming and soil conservation from the ground up. I feel this choice will be a very popular choice in agriculture and in the country.

Q: Did you have any policy differences with Norman Berg, the previous Soil Conservation Service chief? And why are you replacing a career man with a political appointee?

A: I want to make clear I knew Mr. Berg before I came to Washington. He is an outstanding professional in his field. He served for 39 years. We have never had differences in the time we've worked together.

He served me in a very loyal fashion and I expect he will continue to do so because, contrary to what you may have read in the newspapers, he is not fired. He will be working in a senior advisory capacity and be on board for however long he cares to stay.

I might also point out that from 1953 through 1975 the Soil Conservation Service was headed by a political appointee, so we are not setting a precedent here.

Q: Do you plan to further fulfill President Reagan's pledge by naming farmers to head the Forest Service and other agencies?

A: I have no plans to do that.

Q: Then what is so special about the Soil Conservation Service?

A: In the first place, Mr. Berg is very close to retirement. It's an appropriate time to move and get the transition accomplished. Also, I feel so strongly about the Soil Conservation Service. A farmer that understands agriculture from the ground up is the right person to head it.

Q: Have you had any discussions with Assistant Secretary of Agriculture John Crowell over his recent published comments regarding the makeup of the Audubon Society and Sierra Club in which he said he thought there were socialists and even communists in the membership?

A: I haven't talked with him about that. I've never belonged to those groups and I don't know about makeup of their mememberships.

ASSISTANT SECRETARY CROWELL: Perhaps I can answer your question.

Secretary Block and I haven't had a chance to discuss my remarks. The whole thing has been a very unfortunate situation for which I take responsibility. I simply did not respond adequately to a question asked me at the end of a very lengthy interview.

Q: Are you saying you were misquoted?

A: CROWELL: No. We had a lengthy interview about the management of the Forest Service. At the end of the interview, as the reporter was following me down the hall, he asked whether I felt the conservation organizations that oppose what we are trying to do with national forest management were un-American or in some way underminine the American way of life.

I said I thought the people who were members of those organizations, and I think I named the Sierra Club and the Audubon Society specifically, were people who very much were concerned about the management of our public lands.

I should have stopped there, but I made a mistake. I went on and said these groups could be infiltrated by people who felt strongly about the forms of government, including socialism or communism. I didn't get a chance to go on to say what I should have said which was any organization that takes as a condition of membership just a payment of dues can have people who believe anything.

The story got picked up in the Alburquerque newspaper. I was mortified and shocked when I saw it the next morning, and I hoped that was going to be the end of it. It wasn't.

I want to make it clear I have no reason to think the Audubon Society, the Sierra Club or any other conservation organization is in any way un-American. In fact, I believe the contrary. And I very much reject the confusion and wrong implications that have come from it.

I hope I have learned something in dealing with the press out of this whole experience.

Q: Secretary Block, Senator Dole is reported to be very eager for you to schedule a second meeting with the Soviet Union on grain sales. He hopes you can convince them to buy more grain and possibly resume talks about a new long-term agreement.

What is your reaction to Dole's wishes and what is the status for resumed talks?

BLOCK: We need to be looking toward more consultations outside the framework of a long-term agreement. We already have offered the Soviets 23 million metric tons of grain. And I look forward to further consultations.

Q: When are you going to schedule that meeting?
A: If we conduct them, we will not talk about a long-term agreement. The talks to which I refer are those provided for under the existing agreement. These talks will concern whether the Soviets will buy more grain and, if so, how much more?
Q: Can you tell us about recent reports about adulterated meat coming into this country and what we are doing about it?
A: On Feb. 28, it was brought to our attention that we appeared to have some problems with meat imports. Our inspectors were finding the adulterated meat as it came in, but somehow this meat didn't always get sent back where it came from or disposed of properly. Somehow, these shipments were circumventing the process.
Once we found how it was circumventing our inspectors, we took some definite steps at that time.
First, we now assume physical control of all products which do not pass inspection and which we have refused entry. In the past, these shipments had not remained under our control but were handled by another federal agency.
Secondly, we now insure the destruction of products that are refused entry or require them to be sent back to their original port of entry with no diversion to other ports. There currently is a grand jury investigation on this matter.
In addition, we have contacted Costa Rica through diplomatic channels and informed the government there of some specific actions we intend to take. We are doing this because we have evidence some adulterated meat has come from Costa Rica. I will not reveal the specific actions since the Costa Rican government has not yet confirmed its receipt of our cable. As soon as they respond, I will make this information public.
Q: How much might have slipped into the U.S. and now be in local markets?
A: It is impossible to know.
Q: What was the meat adulterated with?
A: With dirt.
Were countries other than Costa Rica involved?

That is the one that appears to be the biggest problem.

Q: When you talk of a grand jury investigation, is that limited to what happens to the meat when it got to the U.S or does it go further back?

A: It is limited to when it comes into Florida.

Q: Do you have any indication USDA personnel were involved in circumventing the procedures?

A: No.

Q: Do you have any estimate on how much meat we're talking about?

A: The problem is limited to South Florida. It is not a national problem. We have enough evidence to show we had to tighten our procedures. Of course, the Justice Department is pursuing it through the grand jury process.

Q: Has anyone become ill from eating the adulterated meat?

A: No.

Q: I understand you have been told 1982 U.S. net farm income could fall as low as $11.5 billion. Regardless of whether that figure is correct, what plans do you have for releasing the $600 million in emergency credit and are you considering a paid diversion program for wheat and feed grains?

A: First, I have never heard the figure you mentioned.
Second, I am in no hurry to release the $600 million of emergency loan money because we have substantial and adequate money in the Farmers Home Administration to meet all our operating needs for all farmers who qualify. What is important to me is to have the funding to plant the crop.
Lastly, I am not looking at a paid diversion program this year. We will wait to see what happens with this crop with an eye to the following year. Anything is possible the following year.
Frankly, I am getting excellent reports this year. Indications are that the acreage reduction signup is going well.

Q: Has USDA quit publishing its net farm income figures because it is a politically sensitive issue?

A: No. No one is denying that farm income is down. One of the reasons we discontinued reporting the figure is because its rather ridiculous to try to forecast as far into the future as we had been.

Last year, our forecasters were about $6 billion off. I see no reason for USDA to stick its collective neck out and be off by that much.

Q: The American Milk Producers Federation has come forward with a plan to revamp the federal dairy price support system. Have you given consideration to their proposal and, if not, are you developing a substitute plan?

A: I have not studied the federation plan. We are looking at all the comments gathered at the recent two-day dairy symposium in Kansas City with the goals of presenting a program that fits with the administation's philosophy, helps the dairy industry, reduces the government's costs, and can be sold to the Congress. The easy part was calling the meeting; the hard part will be sorting it all out.

Q: How soon do you hope to implement some changes in the dairy program? How long can you let it go at this pace?

A: I hope that by May we will have some recommendations to take to Congress. How fast they will be acted upon in an election year is another question.

Q: Have you made any decisions on the storage facilities loan program?

A: We will begin processing apolications that were submitted before the day we suspended the program. We have $8 million to spend on the program and we may well have to take additional applications to reach the $8 million figure.

We are quite excited about private funding for grain storage. I have met with some private industry officials, I talked this morning with the National Association of Wheat Growers, and have met with other groups. They have been telling me that the private sector has programs that are better, that are less costly and more advantageous to farmers than the Commodity Credit Corporation's lending program.

If that is the case, I don't have much concern about getting that storage built, assuming farmers want to build it.

You have said export value will be down this year, but you weren't worried because volume was up. Volume during the first four months of the fiscal year also were down. Are you worried now?

A: No. I am optimistic over recent wheat and soybean sales. As I look to the months ahead, I'm confident that while we will not be able to

keep pace dollar-wise, there is a good chance we will be higher than last year dollar-wise.

Thank you all for coming by today.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA HOUSING LOANS TO CONTINUE IN AREAS OF 10,000 TO 20,000 PEOPLE

WASHINGTON, March 19—Secretary of Agriculture John R. Block today announced that the U.S. Department of Agriculture's housing assistance programs will continue to be available in rural areas of 10,000 to 20,000 people.

This authority was due to expire March 31.

Normally, the Farmers Home Administration, which administers USDA's housing assistance programs, is limited to serving areas of up to 10,000 people. An exception is made when the secretaries of agriculture and housing and urban development agree that there is a serious shortage of mortgage credit in the higher populated areas.

The assistance then is available in those designated rural areas as long as they are not located in a Standard Metropolitan Statistical Area.

FmHA provides housing loan assistance to people in rural areas who are in need of decent, safe and sanitary housing but do not qualify for private credit. Single-family housing loans are available to people of low or moderate-income at a reduced interest rate. The current interest rate for moderate-income borrowers is 13.25 percent.

FmHA loans also are available to multi-family housing developments to help hold down rental costs for low income people, the handicapped and senior citizens.

#

USDA'S ECONOMIC RESEARCH SERVICE PUBLICATIONS NOW AVAILABLE FOR A FEE

WASHINGTON, March 19—Effective May 1, the U.S. Department of Agriculture's Economic Research Service will discontinue free distribution of its publications and will make them available on a purchase basis.

ERS acting Administrator John E. Lee, Jr. said funds formerly used in free distribution of publications will be redirected to maintain the agency's research and analysis program under a reduced budget. "The alternative to cutting costs for production and mailing publications would be to curtail basic research activities. The purchase system will permit ERS to continue publishing information while reducing expenses," Lee said.

After May 1, interested organizations and individuals may buy reports through the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, or through the National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Rd., Springfield, Va. 22161.

Lee said ERS will continue to supply a limited number of free copies of its publications to official news media representatives, land grant universities and certain other information outlets.

The agency periodically will issue ERS Research Abstracts, which provide descriptive information of current ERS research and other publications and their prices. To be placed on the free mailing list for the ERS Research Abstracts newsletter, for additional details about GPO and NTIS sales programs, or for facts about subscribing to Outlook and Situation reports, please contact EMS information division, room 440-GHI, USDA, Washington, D.C. 20250, or phone (202) 447-4230 or 447-8590.

#

FOOT-AND-MOUTH DISEASE OUTBREAK IN DENMARK CAUSES U.S. BAN ON IMPORTS

WASHINGTON, March 22—An outbreak of foot-and-mouth disease in Denmark has caused the U.S. Department of Agriculture to ban imports of susceptible livestock and certain meat and dairy products from that country.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said the outbreak occurred in a herd of 66 cattle on a farm on the island of Fyn, located just east of Jutland. All of the cattle have been destroyed.

"Foot-and-mouth disease is one of the world's most destructive and contagious livestock plagues," Atwell said. "Although it is not always fatal, almost all exposed livestock become infected and are severely debilitated.

"We are imposing the same restriction on Danish livestock and their products that are imposed on all other countries where this disease is known to occur." According to Atwell, the prohibition applies to cattle, swine, sheep, goats and other cloven hooved animals, and to fresh, chilled or frozen meats and dairy products of those animals. Shelf-stable canned or cured meats and hard cheese are not affected. By-products, such as hides and wool, may be imported under certain restrictions.

"We acticipate the impact of this disease outbreak will be mainly on imports of frozen Danish pork, bacon and casein," Atwell said. "Danish canned hams and cheeses are considered safe to import."

The United States has been free of foot-and-mouth disease since 1929. The disease is considered to exist in all countries except those in North and Central America (including Panama), the Bahamas, Bermuda, the Caribbean, Australia, New Zealand, Japan, the United Kingdom, Iceland, Ireland, Norway, Sweden, Finland and the Trust Territories of the Pacific Islands.

Notice of the USDA action is scheduled to be published in the March 25 Federal Register.

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USDA CAUTIONS PRODUCE INDUSTRY ABOUT MISBRANDING

WASHINGTON, March 22—Amid reports that some produce firms are buying and selling or repacking imported produce in misbranded containers, Assistant Secretary of Agriculture C.W. McMillan today announced a step-up in the U.S. Department of Agriculture program to spot-check for misbranding.

"The industry can be seriously affected by instances of misrepresentation," McMillan said. "Recent checks at shipping point and terminal markets have turned up evidence that imported produce is being marketed in containers marked 'Produce of U.S.A.,' 'Idaho' or

other misleading markings that indicate the produce was grown in the United States.

"Under the Perishable Agricultural Commodities Act, incorrect state, country or region of origin markings on containers misrepresent the produce an unfair trade practice," McMillan said.

The PAC Act, which is administered by USDA's Agricultural Marketing Service, does not require an indication of origin or any descriptive information such as grade, weight, count or size to appear on the container. But, if the information does appear, it must correctly represent the product, McMillan said.

Recent spot-checks also revealed that some foreign shippers may be using U.S. business addresses or firm names that lead buyers to believe that the imported product originated in this country, he said.

"Using a firm name or business address to mislead a buyer is considered an unfair trade practice," McMillan said. "We've also found instances where fictitious names and addresses are used for firms that do not exist.

"U.S. firms that ship, sell or offer for sale goods received in interstate or foreign commerce are responsible for the integrity of the markings and contents of the container," he said.

"Foreign shippers or importers who misrepresent a product also put their customers in jeopardy. Retailers, dealers and other buyers can be seriously affected by misrepresentation," McMillan said.

"To avoid misbranding violations and possible actions against their PACA licenses, firms that trade or repack imported produce should carefully review containers to determine if they are properly labeled," he said. "Any misrepresentation should be marked out immediately and reported to the seller."

Answers to specific questions on how to avoid misbranding can be obtained by contacting Floyd White, Fruit and Vegetable Division, Regulatory Branch, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250; telephone (202) 447-5073. Information can also be obtained from the following PACA Regional Offices: Thomas R. Walp, Los Angeles, Calif., (213) 682-7766; Jack C. Morris, Chicago, Ill., (312) 922-0328; Joseph E. Ward, Fort Worth,

Texas, (817) 335-1630; Harry G. Apostoleris, New York, N.Y., (212) 732-3193.

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USDA ADOPTS INCREASED FEES FOR MEAT GRADING AND CERTIFICATION SERVICES

WASHINGTON, March 22—The U.S. Department of Agriculture will increase its fees for meat grading and certification services April 4.

The fee increase of $3 an hour for work in regular time was put into effect on an interim basis in November during a period in which meat-packers and processors who use the service were invited to comment on the increase.

Thomas H. Porter, an official of USDA's Agricultural Marketing Service, said the increase is necessary because of increased costs of the grading and certification program.

Meat grading and certification are voluntary services provided to meat-packers and processors for a fee, Porter said. Fees for these services must be approximately equal to the cost of providing the service.

Under the increase, meat-packers and processors will be charged $23.20 per hour for work performed between 6 a.m. and 6 p.m., Monday through Friday.

Work performed on Saturday, Sunday and between 6 p.m. and 6 a.m. Monday through Friday is $28.20 per hour. Work performed on legal holidays is $46.40 per hour.

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USDA RAISES RETAIL SALES EXEMPTION FOR MEAT AND POULTRY

WASHINGTON, March 22—The U.S. Department of Agriculture today increased the dollar value of meat and poultry products that retailers may sell to hotels, restaurants and similiar "nonhousehold" consumers without federal inspection.

Under federal law, all wholesale meat and poultry operations must be inspected, according to Donald L. Houston, administrator of USDA's Food Safety and Inspection Service. However, retail operations are exempt from federal inspection if the volume of product they sell wholesale to nonhousehold consumers does not exceed set limits. Retailers are permitted to sell as much meat and poultry as they are able to "household" consumers without federal inspection, he said.

"The limit on a retailer's annual sales to nonhousehold consumers will increase from $27,800 to $28,800 for meat and from $22,200 to $23,100 for poultry," Houston said. The retail sales limit is automatically adjusted during the first quarter of a calendar year if the consumer price index fluctuates at least $500, upward or downward, for meat and poultry products.

Houston said data published by the U.S. Department of Labor's Bureau of Labor Statistics for 1981 indicate a price increase of 3.6 percent in meat products and 4.1 percent in poultry products, well above the $500 figure.

"Although the dollar amounts will increase, inspection regulations will still limit sales of meat and poultry to nonhousehold consumers to 25 percent of a retailer's total annual sales," Houston said.

Notice of the new limits is scheduled to be published in the March 22 Federal Register, available in many public libraries.

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FOREST SERVICE PROPOSES ROAD TO REACH MINING CLAIMS IN ALASKA

WASHINGTON, March 22—The public has until May 18 to comment on a U.S. Department of Agriculture proposal to permit building a 9.4-mile-long road leading to U.S. Borax Corporation's molybdenum claims in Alaska.

The road, known as the Blossom Route in Alaska's 2.3 million-acre Misty Fiords National Monument, would make it possible for Borax to take bulk samples of its molybdenum claims without damaging other areas, said R. Max Peterson, chief of USDA's Forest Service.

Molybdenum is a metallic element used primarily in the production of high quality steel.

With the new road, Peterson said, no disposal of residues would be permitted in Wilson Arm or Smeaton Bay, which are valued highly for their fisheries and esthetic qualities.

Peterson said details of the Forest Service's tentative selection of the road route have been provided in a supplement to a draft environmental impact statement issued by the agency. The supplement, which lists alternative routes considered by the Forest Service, will be available to the public next week.

"The Alaska National Interest Lands Conservation Act requires the Forest Service to examine possible routes for a surface access road to allow bulk sampling of the mineral claims," Peterson said. "The Blossom Route will reduce the overall impacts of a bulk sampling and a potential mine development road."

Peterson said another route known as the Keta Route, although usable for bulk sampling purposes, is not suitable for eventual use as a potential mine development road. To authorize the Keta Route for bulk sampling probably would result in the later construction of the Blossom Route in the event of mine development, he said.

"The Forest Service considers it important to use the same route for both purposes, as envisioned by the act," he said.

USDA received more than 1,100 public comments on the draft environmental impact statement. After the comments were analyzed, Peterson directed the agency's Alaska Region to prepare a supplement to the draft to indicate changes, discuss new information, and allow for additional review and public comment, The evaluation of a surface access route was part of this process.

The public should send comments, if any, to the Forest Service, U.S. Department of Agriculture, Tongass National Forest, Ketchikan, Alaska 99901.

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The public will have until May 18 to comment on the Forest Service's supplement, Peterson said.

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WIND DAMAGE IN GREAT PLAINS 50 PERCENT BELOW A YEAR AGO

WASHINGTON, March 23—Wind damaged only half as much land in the Great Plains during the past four months as during the same period last year.

Norman A. Berg, chief of the U.S. Department of Agriculture's Soil Conservation Service, said wind damaged 2,062,676 acres (835,079 hectares) of land in the 10 Great Plains states from November 1981 through February 1982. This compared with 4,183,866 acres (1,693,872 hectares) reported damaged during the same period the previous year.

Berg attributed the drop in damaged acres to good snow cover and adequate soil moisture.

Of the land reported as damaged, 96 percent, 1,982,370 acres (802,566 hectares), was cropland; 3 percent, 54,735 acres (22,160 hectares), was rangeland; and 1 percent, 25,571 acres (10,352 hectares), was other land.

Texas, with 514,482 acres (208,289 hectares) damaged, accounted for 25 percent of the total. Low levels of protective residue were a major factor.

The northern plains reported 55 percent of the damaged acreage.

Current wind erosion damages, compared with the same four months a year earlier, are:

State	Counties Reporting	Nov. 1981-Feb.1982 Acres	Nov. 1981-Feb.1982 Hectares	Nov. 1980-Feb. 1981 Acres	Nov. 1980-Feb. 1981 Hectares
Montana	40	425,315	172,190	889,000	359,919
Nebraska	21	95,889	38,821	155,695	63,034
North Dakota	53	103,360	41,846	817,705	331,005
South Dakota	66	471,400	190,847	901,500	364,980
Wyoming	23	34,210	13,850	28,475	11,530
Colorado	37	114,560	46,380	102,520	41,506
Kansas	105	206,330	85,533	872,250	353,138

(Table continued on following page)

Table continued

New Mexico	19	27,900	11,295	64,170	25,980
Oklahoma	30	69,230	28,028	83,545	33,824
Texas	147	514,482	208,289	269,006	108,909
TOTALS	541	2,062,676	835,079	4,183,866	1,693,872

Winds also destroyed crops or cover on 242,937 additional acres (98,354 hectares) of land not damaged. Of this, 83 percent, or 201,852 acres (81,720 hectares), was in the southern plains.

Each year, the Soil Conservation Service compiles wind erosion reports covering seven months—November through May—using data supplied by 541 counties in the 10 Great Plains states.

#

FEBRUARY FOOD CPI REFLECTS IMPACTS OF SEVERE WINTER WEATHER

WASHINGTON, March 23—The consumer price index released today indicates food prices rose 0.8 percent in February (before seasonal adjustment), according to Deputy Assistant Secretary for Economics J. Dawson Ahalt.

"Prices for food bought in grocery stores increased one percent in February, while prices for food away from home were up one half of one percent," Ahalt said.

"The major cause of the February food price rise was reduced supplies of fruits and vegetables," Ahalt said. "This was partly attributable to the effects of the cold weather in January which damaged the Florida fresh vegetable and citrus crops.

The largest price increases were for tomatoes—up 17.5 percent—and oranges—up 10.6 percent. In contrast, lettuce prices, which had risen sharply in December and January because of insect damage to the California crop, fell 20.5 percent as harvests shifted away from the insect infested areas.

Meat prices rose 0.9 percent, in part due to weather-related livestock marketing disruptions in January and February. This especially affected

hog slaughter in the Midwest and pushed retail pork prices up 1.8 percent in February.

February food prices were 4.6 percent higher than a year earlier. This primarily reflects a 7 percent rise in the farm to retail price spread over the last year, representing higher food industry costs for processing and marketing food commodities, especially for transportation and energy. In contrast, farm prices for domestically-produced foodstuffs have moderated food price rises over the last year. A slow rise in prices for imported foods and fish was also an important factor. The farm value of foods in February was about the same as a year earlier, and prices for imported foods and fish were up 2.5 percent.

Regarding other foods, prices for dairy products were up moderately again, rising 0.3 percent. The fats and oils CPI fell 0.4 percent, reflecting large supplies of vegetable oils. The sugar and sweets CPI was up 0.7 percent, due to higher marketing costs and a pass-through of rising raw sugar prices in recent months. Higher sugar costs also pushed up soft drink prices. Roasted coffee prices rose 3.1 percent, reflecting declining stocks and expectations of smaller world coffee production this year.

Retail food prices this year are expected to average 5 to 7 percent higher than last year, with the current assessment indicating a rise of about 6 percent. This would be below the 1981 rise of 7.9 percent. It would also be the fourth consecutive year of food prices rising less than the general inflation rate.

February Retail Food Prices,
Percent Changes for Selected Items

Items	January to February Not seasonally adjusted	January to February Seasonally adjusted	February 1981 to February 1982
	Percent change		
All food	0.8	0.6	4.6
Food away from home	0.5	0.2	5.8
Food at home	1.0	0.8	4.0
Meats	0.9	0.1	1.5
Beef and veal	0.8	-0.5	-0.3
Pork	1.8	1.9	6.8
Poultry	0.8	-1.1	-3.9
Eggs	8.3	10.0	9.0
Fish and seafood	0.1	0.0	5.3
Dairy products	0.3	*	1.8
Fats and oils	-0.4	*	-2.5
Cereals and bakery prods.	0.4	*	5.9
Fruits and vegetables	2.3	1.6	12.8
Nonalcoholic beverages	1.1	0.5	2.8
Sugar and sweets	0.7	*	-5.5
Other prepared foods	0.3	0.2	7.5

* No seasonally adjusted index available.

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BLOCK NAMES NEW CHIEF OF SOIL CONSERVATION SERVICE

WASHINGTON, March 24—Secretary of Agriculture John R. Block today announced he is appointing Peter C. Myers, 51, a Missouri farmer and member of the Missouri Conservation Commission, as the new chief of the Soil Conservation Service, effective April 5.

Norman A. Berg, 64, who has been serving as SCS Chief since 1979, will become senior advisor to Block on soil and water conservation. Berg is a 39-year veteran of SCS and the winner of numerous awards, including USDA's Distinguished Service Award in 1973.

"This appointment is in keeping with President Reagan's campaign pledge to place farmers and those who understand farming in policy positions at the U.S. Department of Agriculture," Block said. "Peter Myers is an active conservationist, a leader in the farm community, and a dynamic man who will mobilize the SCS."

I am also pleased that Norm Berg will continue on as a senior advisor on soil and water conservation matters," Block said. "He has played a significant role in building the capability of SCS. His wealth of experience as a dedicated professional will be a strong part of our conservation team."

Myers operates a 1,100-acre farm in the Bootheel section of Southeast Missouri near the Mississippi River. The Myers farm at Matthews, Mo., produces corn, seed corn, soybeans, milo wheat and alfalfa.

For the past 15 years, Myers has used the conservation tillage method on his crops, a technique Block has endorsed and the SCS has been advocating to control soil erosion. He had been a vice-president and board member of the Missouri Pork Producers and a board member of the Missouri Farm Bureau.

His several awards include the Jaycees' awards as Missouri's Outstanding Young Farmer in 1966 and National Outstanding Young Farmer in 1967.

A native of Racine, Wis., Myers graduated with honors from the University of Wisconsin in 1953 with a bachelor of science degree in agriculture. After serving as a first lieutenant in the Army from 1953 to 1955, he began his own farming operations.

#

USDA SETS NEXT LOTTERY TO IMPORT CATTLE FOR MAY 24

WASHINGTON, March 24—The next drawing for quarantine space for cattle to be imported from Brazil and Europe through the U.S. Department of Agriculture's Harry S Truman Animal Import Center at Key West Fla., will be held May 24.

"The lottery for cattle from Brazil is scheduled to start at 9 a.m. in room 643A, Federal Building, 6505 Belcrest Rd., Hyattsville, Md.," John Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said. "The drawing for European cattle will follow immediately."

The next importation of cattle from Brazil should be able to enter the Truman center in August, while cattle from Europe could enter in December.

"The fees for importing cattle from countries affected with foot-and-mouth disease through this high-security, offshore quarantine facility also have been revised," Atwell said.

"These charges will now be divided into two parts," he said. "One part will apply to costs of preliminary testing while cattle are kept in on-farm isolation in the country of origin. The second part covers charges while the animals are in quarantine at the USDA-approved port of embarkation and while in quarantine at the Truman center.

"We believe this proposed two-part payment plan will attract more importers, since the initial investment will be less," Atwell said. "Previously, importers were required to pay for all fixed costs at the Truman center for each animal for which they had a permit, regardless of whether or not the animals were disqualified prior to arrival at the center."

Fees are determined by the number of cattle imported for the three-month quarantine. They range from a high of $8,241 for 50 animals to $4,130 for 200 or more.

Applications for the lottery and a copy of the complete fee schedule may be obtained from — and completed forms returned to — USDA, APHIS, Veterinary Services, Import-Export Animals and Products Staff, 6505 Belcrest Rd., Hyattsville, Md. 20782.

Each application must be accompanied by a certified check, money order, or letter of credit payable to USDA, APHIS, for $1,000 for each

animal to be imported. If an application for an animal is not drawn, the fee will be returned. If the application is drawn, the fee will be applied to the cost of importation. However, if applicants do not use their spaces, they will forfeit the fee.

Atwell said the new policy of permitting importers to use letters of credit will reduce their financial burden. Deposits are required as assurance that they will use the quarantine space if it is allocated to them.

Applications and fees must be received by USDA at least five days before the drawing. Applicants, or their agents must attend the drawing. If total applications are for less than 50 animals, no lottery will be held and deposits will be refunded. If the lottery is cancelled, individuals may apply for exclusive use of the Truman center for at least 50 animals on a first-come, first-served basis.

The Harry S Truman Animal Import Center was established in 1979 specifically as a high security offshore facility for importing livestock from countries considered by the department to be affected with foot-and-mouth disease, one of the world's most destructive livestock plagues. Before that time no susceptible domestic livestock could be imported directly from such countries.

Notice of the new regulations on letters of credit and the two-part payment plan and announcement of the lottery date are scheduled for publication in the March 24 Federal Register.

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BLOCK TRANSFERS SUPERVISION OF FEDERAL CROP INSURANCE CORPORATION

WASHINGTON, March 24—Secretary of Agriculture John R. Block said today he is transferring oversight and supervision of the U.S. Department of Agriculture's Federal Crop Insurance Corporation from one under secretary of agriculture to another.

The agency, previously supervised by Seeley Lodwick, under secretary for international affairs and commodity programs, will be transferred to Frank Naylor, under secretary for small community and rural development.

"This move will provide balance by grouping together those agencies which offer essentially financial programs," Block said. "They include Farmers Home Administration, Rural Electrification Administration and now the all-risk crop insurance program."

Block said the transfer will also allow agencies reporting to Lodwick to concentrate on production programs to meet growing demand and on developing new markets for farm commodities.

The Federal Crop Insurance Corporation was created by Congress in 1938 to insure crops against unavoidable losses and to develop the most practical plan, terms and conditions of insurance for agricultural commodities. Currently the agency is working toward a goal of reinsurance which will offer farmers an all-crop, all-risk insurance through the cooperative efforts with private insurance corporations, Block said.

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BLOCK TO VISIT LATIN AMERICA, JAMAICA; SEEKS TO IMPROVE AGRICULTURAL TRADE TIES

WASHINGTON, March 24—Secretary of Agriculture John R. Block will visit Brazil, Argentina and Venezuela April 27-May 6 for a series of discussions with foreign government, trade and industry officials on mutual trade problems and opportunities for U.S. export expansion.

Block will be accompanied by a U.S. agribusiness group.

He said South America is a large and growing market for U.S. agricultural exports, with shipments in fiscal 1981 valued at $2.9 billion, up nearly a fourth from the previous year.

"Venezuela, for example, imported nearly $900 million worth of U.S. agricultural products last fiscal year," Block said. "And our market in Brazil was worth $843 million, including more than $500 million in wheat."

Noting that Brazil and Argentina also are major agricultural exporters, Block said he will be seeking support for U.S. efforts in doing away with barriers to free trade and unfair trade practices, emphasizing the European Community's use of export subsidies. He will also check the condition of the Brazilian soybean crop.

On his return trip, Block will stop in Jamaica to meet with Jamacian officials and to attend a meeting of U.S. agricultural counselors and attaches stationed in the Western Hemisphere. During these meetings, Block will discuss President Reagan's recently announced Caribbean Basin Initiative.

The Caribbean Initiative is aimed at helping countries in the region strengthen their economies and become stronger trading partners with the United States. In fiscal 1981, U.S. agricultural exports to the Caribbean totaled $808 million, while U.S. imports came to $557 million.

USDA officials accompanying Block on the trip will be William G. Lesher, USDA's assistant secretary for economics, and Richard A. Smith, administrator of USDA's Foreign Agricultural Service.

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MARCH 19 ACREAGE REDUCTION REPORT SHOWS 48.4 MILLION ACRES ENROLLED

WASHINGTON, March 24—Farmers have signed up in the 1982 acreage reduction programs 48.4 million acres of feed grain, rice, upland cotton and wheat base acreage according to figures released today by the U.S. Department of Agriculture. The enrolled acreage represents over 21 percent of the 226 million acres of total base acreage.

Last week, USDA reported 25.4 million acres had been enrolled.

The signup, which continues through April 16, is required before farmers are eligible for program benefits such as Commodity Credit Corporation loans, target price protection and—for wheat and feed grain participants—eligibility for the grain reserve.

Base acreage enrolled through March 19 includes 22.4 million under the the feed grain program, 1.2 million under the rice program, 3.3 million under the upland cotton program and 21.5 million under the wheat program.

Farmers who sign up to participate in the acreage reduction programs for upland cotton, rice and wheat agree to reduce their base acreage of these commodities by at least 15 percent while feed grain

producers will voluntarily reduce their base acreage by 10 percent. The acreage taken out of production will be devoted to a conservation use.

The 1982-crop national average loan rates are: barley, $2.08 per bushel; corn, $2.55 per bushel; oats, $1.31 per bushel; sorghum, $2.42 per bushel; wheat, $3.55 per bushel; rice, $8.14 per hundredweight; upland cotton, $0.5708 per pound.

Reserve loan rates are: barley, $2.37 per bushel; corn, $2.90 per bushel; oats, $1.49 per bushel; sorghum, $2.75 per bushel; wheat, $4.00 per bushel.

Target prices for the 1982 crops are: barley, $2.60; corn, $2.70; oats, $1.50; sorghum, $2.60; wheat, $4.05; rice, $10.85; upland cotton, $0.71.

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USDA EXTENDS MATURITY DATE ON 1980-CROP COTTON LOANS

WASHINGTON, March 24—Producers with 1980-crop cotton under loan are being given the option to extend their loans for an extra year, Secretary of Agriculture John R. Block announced today.

"This option is being offered due to current low prices for cotton," Block said.

Extension of the 1980-crop cotton loans had previously been granted at an interest rate of 11.5 percent. Producers extending their loans for an added year will be charged an interest rate of 12.25 percent to reflect the increased cost to Commodity Credit Corporation for borrowing from the U.S. Treasury.

Block said that producers who wish to extend their loans should contact their county Agricultural Stabilization and Conservation Service office.

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USDA'S STATISTICAL REPORTING SERVICE RELEASES TO BE AVAILABLE FOR A FEE

WASHINGTON, March 24—Effective June 1, the U.S. Department of Agriculture's Statistical Reporting Service will discontinue free distribution of releases through its Crop Reporting Board and will make them available for a fee, according to the agency's Administrator William Kibler.

Kibler said, "By eliminating free distribution and putting reports on a paid subscription basis we will be able to continue our agricultural data collection and estimating program on a timely and reliable basis in line with current reduced funding levels."

Individual copies and annual subscriptions of all releases published by the Crop Reporting Board will be for sale through the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Order forms and price lists are available from the secretary, Crop Reporting Board, room 5809-S, USDA, Washington, D.C. 20250, or by phoning (202) 447-7017.

A limited number of free reports will continue to be provided to the news media and crop and livestock survey respondents and others, Kibler said.

Effective July 1, the Statistical Reporting Service will implement a similar user-fee system for publications issued by the agency's state statistical and crop reporting offices. Further information about this program is available from each state crop reporting office or the secretary of the Crop Reporting Board.

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FALLING WORLD SUGAR PRICES FORCE INCREASE IN IMPORT FEES

WASHINGTON, March 24—Declining world sugar prices will automatically cause the U.S. Department of Agriculture to increase the fees on imports effective April 1, Secretary of Agriculture John R. Block announced today.

The new fees will be 3.0703 cents per pound for raw sugar and 4.1782 cents per pound for refined sugar. Current fees are 2.1418 cents for raw and 3.0014 cents for refined.

The purpose of the import fees is to protect the sugar price support program. World sugar prices have been at low levels since last fall, Block said, and in recent weeks have been declining further. They are now around 11 cents per pound, f.o.b. Caribbean ports.

"Without import fees to bring the price of imported sugar up to our market stabilization price objective," he said, "imports would undercut domestic sugar prices and force large outlays by the Commodity Credit Corporation for involuntary support purchases. It is in the interest of farmers and consumers alike that this not be allowed to happen."

The import fee changes are in accordance with the requirements of a Dec. 23, 1981, presidential proclamation that revised the existing import fee system to make it consistent with the newly-enacted Agriculture and Food Act.

The act established a support program for sugarcane and sugar beets, beginning with a purchase program for 1981 crop raw sugar at 16.75 cents per pound from Dec. 22, 1981 to March 31, 1982. For the 1982 crop, a loan program of not less than 17 cents per pound will be in effect.

The sugar import fee system was established in November 1977 under the authority of Section 22 of the Agricultural Adjustment Act to protect the sugar support program established by the Food and Agriculture Act of 1977. Import fees have been in effect since that time, although from October 1979 to September 1981, a period of relatively high world prices, the fee for raw sugar was zero cents per pound.

The proclamation of Dec. 23 provides that the import fees be adjusted quarterly in response to changes in world prices. The average of world prices during a 20-day period near the end of the calendar quarter is the determining factor. The fee computation also takes into account applicable customs duties, transportation charges and related costs.

The proclamation also provides for within-quarter adjustments if there are sudden changes in world prices. Average per-pound prices for

a 10-day period must move above or below the base price for the quarter by one cent to trigger a fee change.

Low world prices mirror an oversupply of sugar, Block said. "In 1981, Northern Hemisphere sugar crops were large almost everywhere but the Soviet Union," Block said, "and Soviet purchases have not been as large as might have been expected." Current prospects for this year's Southern Hemisphere crop are favorable, he said.

The United States produces only slightly more than half of its sugar needs. The support program is intended to maintain a production capacity for the nation's essential sugar requirements.

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NEW USDA PUBLICATIONS POLICY WILL SAVE $6 MILLION

WASHINGTON, March 24—The U.S. Department of Agriculture will save over $6 million in fiscal 1983 by adopting the recommendations of a departmental paperwork task force, Secretary of Agriculture John R. Block said today.

The savings will result from reduced expenditures by USDA's information and publication units, Block said.

"I expect additional savings in the future as the department moves to a user fee program for all publications beginning this October," Block said.

Block also said he has ordered a new publication management system within USDA which will:

— increase the effort to reduce publications at the agency level;

— require all new publications and reprints of existing publications to be approved at the under secretary or assistant secretary level; and

— make the task force a permanent unit, to be renamed the secretary's review board.

Block said USDA had eliminated over 500 publications from the department's inventory as a result of the work of the paper work task force.

USDA PROPOSES REVISING GRADE STANDARDS FOR CANTALOUPS

WASHINGTON, March 25—The U.S. Department of Agriculture today proposed revising the U.S. grade standards for cantaloups to reflect current marketing practices.

USDA invites public comments on the proposal until Aug. 31. The proposed change, requested by the Texas Citrus and Vegetable Growers and Shippers Association, would revise the definition of "decay" and apply less restrictive tolerances for dry rot, a type of fusarium rot that usually is confined to the rind area of melons.

Charles Brader, a fruit and vegetable marketing official with USDA's Agricultural Marketing Service, said the proposed change would not affect the eating quality of cantaloups.

The present standards provide tolerances for various categories of defects, including decay. Current tolerances for cantaloups affected by decay or mold are one-half of one percent at the shipping point and two percent en route or at destination.

"While soft type fusarium rot may affect the internal quality of cantaloups and cause a significant marketing problem," Brader said, "dry rot primarily affects the rind of melons marketed, and progresses at a slow rate under normal conditions."

Brader said the association asked that decay be redefined to permit dry rot to be covered under less restrictive tolerances.

If adopted, the standards would define "soft rot" as any decay that is soft, mushy or in a leaking condition. "Dry rot" would apply to any decay that is dry, with hard or firm tissue. Soft rot would be scored under present tolerances while dry rot would be scored under tolerances of four percent at shipping point and six percent en route or at destination.

The proposal retains the current grades, U.S. Fancy, U.S. No. 1, U.S. Commercial and U.S. No. 2.

The proposed revisions are scheduled to be published in the March 25 Federal Register, available at many local libraries. Written comments should be sent in duplicate to the Hearing Clerk, USDA, Rm. 1077-S, Washington, D.C. 20250.

The Agricultural Marketing Service establishes grade standards and provides official grading for many food products. Use of the grading services is voluntary and paid for by the user.

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USDA INVITES COMMENTS ON PROPOSED PECAN MARKETING ORDER

WASHINGTON, March 25—Pecan growers, shellers and the public may submit comments to the U.S. Department of Agriculture until April 23 on a proposal to establish a federal marketing order for pecans produced in 16 states.

Charles Brader, a marketing official with USDA's Agricultural Marketing Service, said the Federated Pecan Growers' Associations of the United States submitted the proposal. Anyone may suggest changes or submit other proposals.

Under the proposal, the production area would include Alabama, Arizona, Arkansas, California, Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee and Texas.

The proposed program would provide for marketing research and development projects for pecans, including promotion and paid advertising. Projects would be financed with assessments to be paid by pecan shellers on pecans shelled in the continental United States.

A 14-member board of growers, shellers, grower-shellers and a public member would work with USDA in administering the program.

Brader said USDA eventually may hold public hearings on the proposed order. USDA would make its recommended decision after considering the hearing testimony and public comments.

To become effective, any program would have to be voted on and approved by growers currently producing pecans in the designated production area.

Copies of the proposal may be obtained from Allen Belden, Rm. 2541-S, AMS, USDA, Washington, D.C. 20250; telephone (202) 447-7920. Comments should be sent to the same office, where they will be available for public inspection.

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USDA HALTS MEAT IMPORTS FROM COSTA RICA

WASHINGTON, March 25—The U.S. Department of Agriculture will remove Costa Rica's four meat slaughtering plants from its list of approved exporters to the United States, effective March 26.

"My decision to stop accepting Costa Rican product reflects USDA's mission to ensure the safety and wholesomeness of foreign meat imports," said Secretary of Agriculture John R. Block. He said "I recognize the great economic difficulties being faced by the Costa Rican people, and we are working with the Costa Rican government to resolve the problem. To further that effort, I am sending a team to Costa Rica, headed by John Graziano, USDA's inspector general," he said.

Block said the Office of the Inspector General (OIG) has uncovered irregularities in some health certificates accompanying product to the United States. He said that efforts by the OIG to obtain additional information from the Costa Rican government to help determine the cause of the irregularities have been only partially successful.

"As a result, we are stopping shipments from that country until we can be assured that the Costa Rican meat inspection system can meet U.S. standards on a continuing basis," Block said.

Block said Costa Rican and U.S. officials would continue to work toward an early resolution of the problem. "In recent months," Block said, "we have not only received improperly identified product and product accompanied by fraudulent inspection certificates, but one of the plants apparently shipped us two boxes of dirt rather than meat."

Costa Rican product currently awaiting entry into the United States will be thoroughly scrutinized, he said.

In 1981, the United States imported approximately 67 million pounds from Costa Rica—less than a quarter of 1 percent of our meat supply—Block said.

In a separate matter, the OIG investigation also revealed the clandestine movement into domestic channels of adulterated meat which had previously been refused entry into the United States, Block said.

"USDA has tightened procedures used in marking, controlling and re-exporting all product that is refused entry into this country," he said.

"Also, if such product is not removed or destroyed by its owner within 30 days, the Department will request appropriate legal action to ensure that it is destroyed."

The Federal Meat Inspection Act requires that foreign countries exporting meat to the United States impose inspection requirements that are at least equal to those imposed on U.S. plants.

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